



Delaware State Treasury

State Treasurer Chip Flowers

DELAWARE ECONOMIC INDEX

As of May 1, 2014



President Obama Releases FY'15 Federal Budget Proposal

See page 11

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR

LEGEND FOR ECONOMIC CLIMATE



NATIONAL ECONOMIC TREND
Slow Growth



CONSUMER SECTOR

Unemployment declines.
See page 4



BUSINESS SECTOR

Housing market slowing.
See page 7



FINANCIAL SECTOR

Delaware Stock Index declines.
See page 12



State Treasurer Chip Flowers

A Message from your State Treasurer

To People of the State of Delaware:

Welcome to the May 2014 edition of the Delaware Economic Index. Delaware's economy continues to be at a "fair" level. The state unemployment rate continued to fall as it was 5.9% in March. While Delaware's economy is improving, the State budget situation is not as rosy, as the Delaware Economic and Financial Advisory Council's latest projection is for a \$33.6 million deficit in the next fiscal year.

The national economic picture generally seems to be improving. The unemployment rate declined to 6.3% in April—which is the lowest since the financial crash in September 2008. Employment growth accelerated in April as 288,000 net jobs were created, based on preliminary data, the best showing since January 2012. Preliminary data for March showed a net 203,000 jobs created and the final numbers for February indicated growth of 222,000 jobs. If the preliminary numbers hold, this would mark

the first instance of job growth above 200,000 in three consecutive months since 2012. However, economic growth was only 0.1% in the first quarter of the year, largely due to seasonal factors.

The Federal Reserve continues its process of "tapering," that is reducing its monthly bond purchases in a sign of continued optimism in the economy's growth prospects. Tensions between Russia and Ukraine could impact the global economy, given Russia's size and its potential impact on the European Union's economy.

This month's special feature is an overview of the budget proposal from President Obama for the next fiscal year.

If you have any comments on our recent work or in general, feel free to e-mail me at statetreasurer@state.de.us or call (302) 672-6700. We are here to serve you.

Best,

Chip Flowers, *Delaware State Treasurer*





KEY RATIONALE

- The state unemployment rate was 5.9% in March, which is a decrease from 6.2% in December.
- The February Regional Consumer Price Index indicated a 0.5% increase in prices from December. The year-over-year price increase is 1.0%.
- The Federal Reserve's Beige Book showed economic growth accelerated to a moderate pace in the Philadelphia region, which includes Delaware.
- General services and retail sales accelerated to a moderate rate of growth.
- Manufacturing resumed growth after declining previously due to poor weather.
- The auto sector performed very strongly during the period covered by the most recent Beige Book.
- The banking sector reported slight growth in lending.
- Overall, Beige Book respondents' maintained an outlook of moderate growth.
- Regional manufacturing activity continued to grow, as measured by the Federal Reserve Bank of Philadelphia's survey. However, Delaware firms account for only approximately 5% of the survey.
- The Federal Reserve Bank of Philadelphia's Coincident Index showed Delaware's economic activity as growing in March. The Leading Index increased and is forecasting economic growth through the third quarter of 2014.
- National consumer confidence decreased in the Conference Board's Consumer Confidence Survey, but reached a nine-month high in University of Michigan's Consumer Sentiment Survey.
- The national economy continued to add jobs as the pace of job growth accelerated compared to the previous 60 day period. According to preliminary data, 288,000 net jobs were created in April and 203,000 were created in March. The unemployment rate in April fell to 6.3%. This compares to a 6.6% unemployment rate in January.
- The four-week moving average of new U.S. jobless claims was 320,000 for the week ended April 26, an improvement from 338,250 for the week ended February 22.
- In Delaware, new jobless claims decreased during the past sixty days. The four-week average is 683, a substantial decrease from an average of 1,235.

Delaware Economic Early Warning System

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR



CONSUMER SECTOR



Recovery creating a disproportionate number of low-wage jobs.



Job market for college graduates improves.



Job openings reach six-year high.



Employment

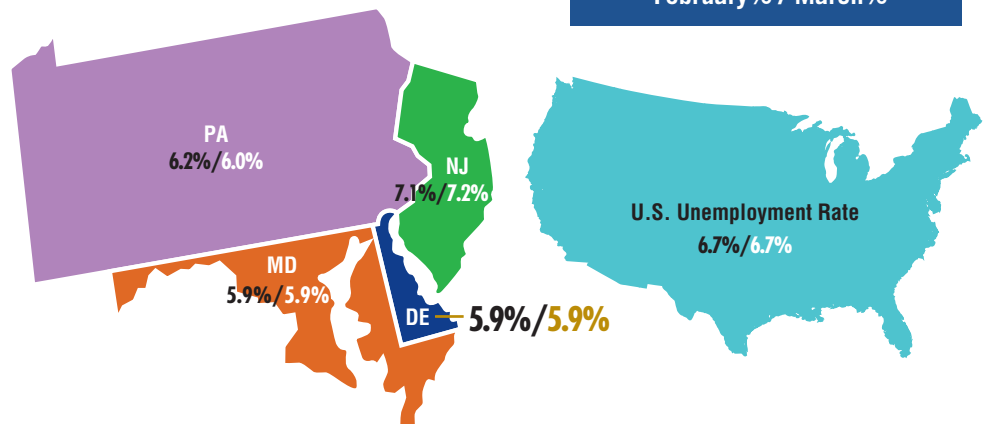
Delaware (March 2014)		Delaware (February 2014)	
Labor force	444,688	Labor force	443,870
Employment	418,451	Employment	417,461
Unemployed	26,237	Unemployed	26,409
Unemployment rate	5.9%	Unemployment rate	5.9%



Source: Delaware Department of Labor

Regional Unemployment

February 2014 / March 2014



Sources: Delaware Department of Labor; New Jersey Department of Labor; Maryland Department of Labor, Licensing and Regulation; Pennsylvania Department of Labor & Industry, United States Bureau of Labor Statistics.

Delaware Jobless Claims

Initial Claims Filed

Week Ended	Number
April 19	582
April 12	812
April 5	679
March 29	660
March 22	675
March 15	834
March 8	768
March 1	744

Four week average: 683

Eight week average: 719

Source: U.S. Department of Labor





Gas Prices

	Delaware	United States
May 1, 2014	\$3.67	\$3.65
One Week Ago	\$3.67	\$3.66
Feb. 28, 2014	\$3.45	\$3.44
One Year Ago	\$3.39	\$3.51

Source: Delawaregasprices.com



Mortgage Rates

	As of May 1, 2014	Week Prior
30-year fixed	4.29%	4.33%
15-year fixed	3.38%	3.39%
5-year ARM	3.05%	3.03%
1-year ARM	2.45%	2.72%

Source: Freddie Mac



Primary Mortgage Market Survey®

	As of May 1, 2014	Fees and Points
30-year fixed	4.29%	0.7%
15-year fixed	3.38%	0.6%

Source: Freddie Mac

Consumer Confidence

Conference Board

Month	Index
April	82.3
March	83.9

Rating Index

90 = Doing well
100 = Strong growth

Source: Conference Board

University of Michigan

Month	Index
April	84.1
March	80.0

Source: University of Michigan

Regional Consumer Price Index

	Feb. 2014	Dec. 2013	Change since December	Change since February 2013
All Items	242.584	241.383	+0.5%	+1.0%
Core	251.717	250.534	+0.5%	+1.5%

The regional CPI covers the Philadelphia-Wilmington-Atlantic City Consolidated Metropolitan Statistical Area. In Delaware, it covers all of New Castle County. Core inflation is the inflation rate minus food and energy items.

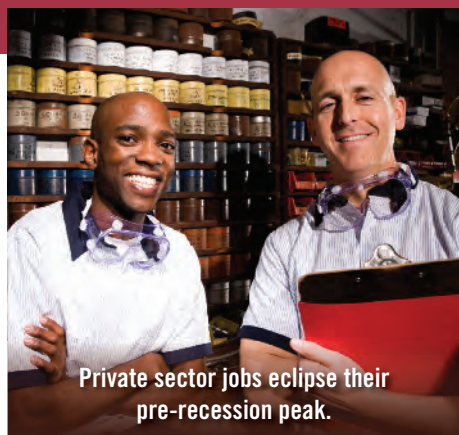
Source: U.S. Bureau of Labor Statistics



B U S I N E S S S E C T O R



Housing market slows down.



Private sector jobs eclipse their pre-recession peak.



U.S. quarterly trade deficit lowest in 14 years.



National Manufacturing

National economic activity in the manufacturing sector expanded for the eleventh consecutive month in April as the PMI posted a reading of 54.9. A reading above 50 indicates expansion in the manufacturing sector and a PMI above 42.2 correlates with expansion in the overall economy. 17 of 18 manufacturing industries surveyed reported growth.

Index	Series Index Apr.	Series Index Mar.	% Point Change	Status	Rate of Change	Trend* (Months)
PMI	54.9	53.7	+1.2	Growing	Faster	11
Production	55.7	55.9	-0.2	Growing	Slower	2
New Orders	55.1	55.1	0.0	Growing	Same	11
Employment	54.7	51.1	+3.6	Growing	Faster	10
Supplier Deliveries	55.9	54.0	+1.9	Slowing	Faster	11
Inventories	53.0	52.5	+0.5	Growing	Faster	3
Prices	56.5	59.0	-2.5	Increasing	Slower	9
Backlog of Orders	55.5	57.5	-2.0	Growing	Slower	3
Exports	57.0	55.5	+1.5	Growing	Faster	17
Imports	58.0	54.5	+3.5	Growing	Faster	15
Customers' Inventories	42.0	42.0	0.0	Too Low	Same	29

Source: ISM Report on Business

National Non-Manufacturing

National economic activity in the non-manufacturing sector grew for the 50th consecutive month in March. The NMI increased by 1.5 from February, which was the lowest reading over the past year, to reach 53.1. A reading above 50 indicates expansion. 13 of 15 non-manufacturing industries reported growth. Most survey respondents expressed the belief that business conditions are improving.

Index	Series Index Mar.	Series Index Feb.	% Point Change	Status	Rate of Change	Trend* (Months)
NMI/PMI	53.1	51.6	+1.5	Growing	Faster	50
Business Activity/Production	53.4	54.6	-1.2	Growing	Slower	56
New Orders	53.4	51.3	+2.1	Growing	Faster	56
Employment	53.6	47.5	+6.1	Growing	From Contracting	1
Supplier Deliveries	52.0	53.0	-1.0	Slowing	Slower	5
Inventories	48.0	50.5	-2.5	Contracting	From Growing	1
Prices	58.3	53.7	+4.6	Increasing	Faster	54
Backlog of Orders	51.5	52.0	-0.5	Growing	Slower	2
New Export Orders	49.5	47.5	+2.0	Contracting	Slower	3
Imports	50.5	47.0	+3.5	Growing	From Contracting	1
Inventory Sentiment	60.5	62.0	-1.5	Too High	Slower	202

Source: ISM Report on Business



Regional Business Outlook Survey Diffusion Indexes

In April, the Business Outlook Survey's diffusion index remained in positive territory for the second consecutive month as the index improved to 16.6.

	April 2014	March 2014
General Evaluation	16.6	9.0
New Orders	14.8	5.7
Shipments	22.7	5.7
Unfilled Orders	2.0	2.6
Delivery Times	-14.3	-2.7
Inventories	-1.5	-6.8
Prices Paid	11.3	13.9
Prices Received	4.3	4.3
Number of Employees	6.9	1.7
Average Employee Workweek	5.0	3.1

The Business Outlook Survey is conducted monthly by the Federal Reserve Bank of Philadelphia to gauge manufacturing activity in the region.

Source: Federal Reserve Bank of Philadelphia

Small Business Optimism Index

Month	Index
December	94.1
November	93.9

The NFIB Small Business Optimism Index increased slightly in January to 94.1. The number of small businesses intending to hire reached its highest level since 2007.

Source: National Federation of Independent Businesses

Index Component	Net %	Change from Last Month
Plans to Increase Employment	5%	▼ 4%
Plans to Make Capital Outlays	24%	▼ -2%
Plans to Increase Inventories	1%	▲ -1%
Expect Economy to Improve	-18%	▲ 0%
Expect Real Sales Higher	12%	▲ 7%
Current Inventory	0%	▲ 3%
Current Job Openings	22%	■ -1%
Expected Credit Conditions	-7%	■ 0%
Now a Good Time to Expand	8%	▲ -2%
Earnings Trends	-24%	▲ -5%

Producer Price Index

	Mar. 2014	Mar. 2013
Total	0.5	1.4
Except food and energy	0.1	N/A
Foods	1.1	N/A
Energy	-1.2	N/A

These are the Producer Price Index changes for finished goods. The index increased after declining in February.

Source: U.S. Bureau of Labor



Coincident Index

The Coincident Index for Delaware indicated growth in March. The unemployment rate was stable, but employment and average hours worked in manufacturing declined.

Source: Federal Reserve Bank of Philadelphia

The Coincident Index is issued by the Federal Reserve Bank of Philadelphia to summarize economic conditions in the region. An increase in a state's coincident index indicates an increase in such state's Gross Domestic Product (GDP) growth.

Area	March 2014	1-Month Change	3-Month Change	12-Month Change
Delaware	148.6	0.2%	0.9%	3.7%
New Jersey	152.7	-0.1%	-0.2%	1.6%
Pennsylvania	147.9	0.5%	1.3%	3.6%
US	158.6	0.2%	0.6%	3.0%

Leading Index

The Leading Index for March was 0.9 in Delaware, suggesting economic expansion through the third quarter of 2014. Building permits and the index of delivery times from the Institute for Supply Management's manufacturing survey decreased. On the positive side, the Coincident Index for Delaware rose and the number of initial jobless claims declined.

Source: Federal Reserve Bank of Philadelphia

The Leading Index is issued by the Federal Reserve Bank of Philadelphia to predict the six-month growth rate of a state's Coincident Index.

Area	March	February	January
Delaware	0.9	1.5	1.9
Pennsylvania	1.7	2.2	2.2
New Jersey	-0.8	-0.8	-0.4
US	1.1	1.1	1.2



SPECIAL FEATURE

President Obama Releases FY'15 Federal Budget Proposal

On March 4, President Obama and his Office of Management and Budget (“OMB”) released his \$3.90 trillion budget proposal for Fiscal Year 2015. Some key features of his budget plan are:

- Spending \$302 billion over four years for surface transportation;
- Establishing an independent National Infrastructure Bank;
- Doubling the maximum Earned Income Tax Credit for childless workers to \$1,000;
- Reform to the tax code, such as reducing deductions;
- Offering universal preschool for all four-year olds;
- Creating 45 manufacturing innovation institutes over a decade to promote advanced manufacturing;
- Extending unemployment insurance benefits for 1.7 million people;
- Starting a Race to the Top initiative aimed at closing the educational achievement deficit among high-need students;
- Calling for increasing the federal minimum wage to \$10.10 per hour, which would be indexed to inflation;
- Proposes automatic enrollment in IRA's for employees whose employer does not offer a retirement plan;

Under OMB's assumptions, the nation's public debt-to-Gross Domestic Product ratio, which was 72.1% in 2013 would increase to 74.6% in 2015 before steadily decreasing to 71.6% in 2020 and 69.0% in 2024.

Sources: White House Office of Management and Budget, Congressional Budget Office

OMB and CBO forecasts

- **Economic growth.** The Obama budget forecasts 3.1% economic growth in 2014, 3.4% growth in 2015 and 3.3% growth in 2016. The non-partisan Congressional Budget Office (“CBO”) projects a growth rate of 3.1% in 2014, 3.4% in both 2015 and 2016.
- **Inflation.** OMB projects an inflation rate of 1.6% this year, 2.0% in 2015, and 2.1% in 2016. The CBO foresees inflation of 1.9% this year and 2.1% in both 2015 and 2016. All these figures are projections based on the Consumer Price Index metric.
- **Unemployment.** The President's budget anticipates an average unemployment rate of 6.9% in 2014, 6.4% in 2015 and 6.0% in 2016. This compares to the CBO's projections for the fourth quarter of this year posting a 6.7% unemployment rate with the comparable figures being 6.3% and 6.0% respectively in the final quarters of 2015 and 2016.



FINANCIAL SECTOR



China records 7.4% growth in the first quarter of 2014.



IMF: Russia in recession.



Japanese trade deficit a record in FY 2013.

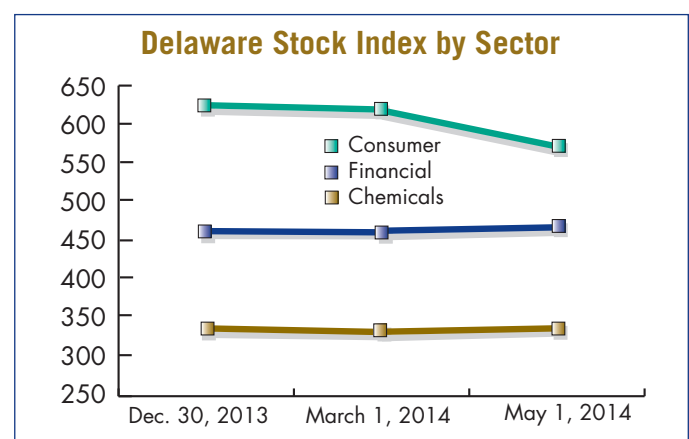
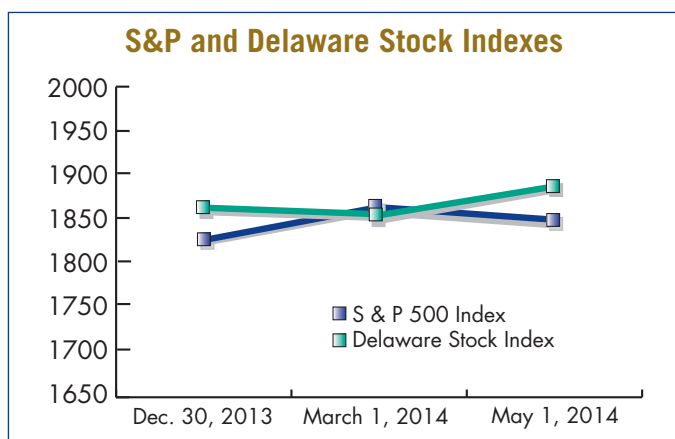


Stock Prices of Key Delaware Employers

Employer	Feb. 28, 2014	May 1, 2014	% Change
Amazon.com Inc.	\$362.10	\$307.89	-14.97%
Ashland Inc.	\$94.37	\$100.74	+6.75%
AstraZeneca PLC	\$67.76	\$81.09	+19.67%
Bank of America Corp.	\$16.53	\$15.09	-9.54%
Barclay's PLC	\$17.00	\$17.37	+2.18%
Chesapeake Utilities Corp.	\$59.24	\$62.30	+5.17%
Citigroup Inc.	\$48.63	\$47.76	-1.79%
Comcast Corp.	\$51.69	\$52.11	+0.81%
Dover Downs Gaming & Entertainment Inc.	\$1.56	\$1.45	-7.05%
Dow Chemical Co.	\$48.71	\$48.71	0.00%
DuPont	\$66.62	\$66.76	+0.21%
JP Morgan Chase & Co.	\$56.82	\$55.72	-1.94%
Kraft Foods Inc.	\$55.27	\$56.69	+2.57%
M & T Bank Corp.	\$116.59	\$121.49	+4.20%
Pepco Holdings Inc.	\$20.39	\$26.93	+32.07%
PNC Financial Services Co.	\$81.78	\$83.77	+2.43%
Rite Aid Corp.	\$6.59	\$7.70	+16.84%
Safeway Inc.	\$37.45	\$34.21	-8.65%
Siemens AG	\$133.13	\$131.93	-0.90%
Simon Property Group	\$161.29	\$173.65	+7.66%
Supervalu Inc.	\$6.47	\$6.91	+6.80%
Tanger Factory Outlet Centers Inc.	\$34.31	\$35.53	+3.56%
Verizon Communications Inc.	\$47.58	\$47.22	-0.76%
Walgreen Co.	\$67.95	\$69.43	+2.18%
Wal-Mart Stores, Inc.	\$74.70	\$79.70	+6.69%
Wells Fargo	\$46.42	\$49.64	+6.94%
WSFS Financial Corp.	\$71.29	\$67.61	-5.16%
Delaware Stock Index	1852.27	1849.4	-0.15%
S & P 500 Index	1,859.45	1,883.68	+1.30%
Dow Jones Industrial Average	16,321.71	16,558.87	+1.45%

Source: Google Finance

Stock Index Comparison





Treasury's Portfolio Balances

As of April 30, 2014

Source: Delaware State Treasury

Portfolio	Market Value	% of Total
Liquidity A/Cs:		
CUTWATER ASSET MGMT	\$185,838,847.44	11.0%
PFM ASSET MANAGEMENT	\$202,770,272.23	12.0%
WELLS CAP LIQUIDITY	\$214,894,534.87	12.8%
WILMINGTON LIQUIDITY	\$141,583,324.53	8.4%
Intermediate Accounts:		
CHANDLER ASSET MGMT	\$103,496,737.35	6.1%
FEDERATED INVESTORS	\$159,564,626.47	9.5%
JPM INTERMEDIATE	\$255,516,997.85	15.2%
MORGAN STANLEY IM	\$201,454,575.97	12.0%
SCHRODER INTERM	\$86,364,750.66	5.1%
L&W - SCHRODER	\$77,972,358.23	4.6%
HEALTHFUND-SCHRODER	\$55,654,818.13	3.3%
Total:	\$1,685,111,843.73	100%

Treasury's Portfolio Delaware Holdings

As of March 31, 2014

Source: Delaware State Treasury

Portfolio	Market Value
Liquidity A/Cs:	
CUTWATER ASSET MGMT	\$65,642,843.05
PFM ASSET MANAGEMENT	\$34,925,975.00
WELLS CAP LIQUIDITY	\$133,015,528.80
WILMINGTON LIQUIDITY	\$14,495,000.00
Intermediate Accounts:	
CHANDLER ASSET MGMT	\$102,806,463.16
FEDERATED INVESTORS	\$2,904,000.00
JPM INTERMEDIATE	\$32,489,830.99
MORGAN STANLEY IM	\$37,308,065.10
SCHRODER INTERM	\$6,668,366.00
L&W - SCHRODER	\$5,979,418.00
HEALTHFUND-SCHRODER	\$4,262,219.00
Total:	\$440,497,709.10 (24.7% of the State portfolio)



Key Interest Rates

Rate	4/30/14	Month Ago	Year Ago
Wall Street Journal Prime Rates	3.25%	3.25%	3.25%
Federal Discount Rate	0.75%	0.75%	0.75%
Fed Funds Rate	0.25%	0.25%	0.25%
Bond Buyer's 20 Bond Index	4.33%	4.43%	3.90%
1 Month LIBOR Rate	0.15%	0.15%	0.20%
3 Month LIBOR Rate	0.23%	0.23%	0.27%
6 Month LIBOR Rate	0.32%	0.33%	0.43%
1 Year LIBOR Rate	0.55%	0.56%	0.71%
Call Money	2.00%	2.00%	2.00%

Source: Bankrate.com

U.S. Treasury Department Bond Rates

Date	4 Weeks		52 Weeks	
	Bank Discount	Investment Yield	Bank Discount	Investment Yield
May 1, 2014	0.02	0.02	0.10	0.10
Feb. 28, 2014	0.04	0.04	0.11	0.11

Source: U.S. Treasury Department

Key Benchmark Exchange Rates

As of March 1, 2014

Currency	Value (in U.S. Dollars)	Change (from previous Index)
Euro	\$1.387	+0.39%
British Pound	\$1.6874	+0.77%
Japanese Yen	\$0.0098	0.00
Australian Dollar	\$0.9291	+4.14%
Canadian Dollar	\$0.9129	+1.06%
Swiss Franc	\$1.1409	+0.38%
Chinese Yuan	\$0.16	-1.66%

Source: Google Finance



RECENT ECONOMIC ACTIVITY

- Amplified Geochemical Imaging LLC opened a new office in Newark bringing 30 jobs to Newark from Elkton.
- JPMorganChase signed a deal to purchase AstraZeneca's south campus in Fairfax.
- Retailer Coldwater Creek, which has stores in Christiana and Rehoboth Beach, is closing.
- Sears announced it will close its Seaford location. This will result in the loss of 30 jobs.
- Kmart announced it will close its Dover location. Approximately 100 people are employed at that location.
- Sallie Mae spinoff Navient announced its headquarters will be in Wilmington. This will bring 120 jobs to the city. The Wilmington Office of Economic Development awarded Navient \$750,000 and provided a \$15 per employee tax incentive.
- Perdue Farms will convert its Georgetown facility from a distribution facility to a shipping facility.
- An affiliate of Wanxiang America gained ownership of the former Fisker plant in Newport for \$18 million.
- ASAP International Holdings purchased the former DoubleTree hotel in Wilmington for approximately \$20 million.
- Adams Publishing Group LLC bought the Newark Post.
- Cumberland Farms will close its four Delaware stores as part of being sold to Petro Marketing Group. This will cause 176 layoffs, although those employees will be allowed to re-apply.
- Cabela's Christiana Mall store opened on May 1.
- The Westin hotel on the Wilmington riverfront opened.
- Pfizer is pursuing a purchase of AstraZeneca.
- Joe Gold will become the new CEO of Barclays America.
- Amazon posted earnings of \$108 million in the first quarter.
- Frontier Airlines commenced service to Atlanta and Detroit from the New Castle County airport.
- Pepco Holdings Inc. has agreed to be purchased by Exelon Corp.
- Miller Carpet One Floor & Home of New Castle, which employs 10, announced it will be closing.



<http://treasury.delaware.gov/>

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